

Hooker Chemical Corporation 1967 Annual Report

AR14



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*Group Vice President,
Hooker Chemical Corporation, New York City*

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*Chairman of the Board,
Hooker Chemical Corporation, New York City*

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of Manufacturers, New York City*

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Retired, New York City

CHARLES C. HORNBOSTEL

*Vice President—Finance,
Hooker Chemical Corporation, New York City*

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Industrial Management Firm, New York City*

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*Chairman, Marine Midland Corporation,
Buffalo, New York*

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JOSEPH J. RICE JR.*

*President, The Udyllite Corporation
(Hooker subsidiary), Detroit, Michigan*

ROBERT H. STRANGE**

*Rockefeller Family & Associates, Investment
Management, New York City*

THOMAS F. WILLERS**

*President,
Hooker Chemical Corporation, New York City*

*Became Director January 2, 1968

**Member of the Executive Committee

Officers

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JAMES G. BALDWIN *Group Vice President*

JOHN S. COEY *Group Vice President*

WILLIAM D. MORRISON *Group Vice President*

CHARLES Y. CAIN *Vice President—Sales*

FRED W. ELLIOTT *Vice President—Operations*

JAMES W. FERGUSON *Vice President*

CHARLES C. HORNBOSTEL *Vice President—Finance*

JOHN J. LENAHAN II *Vice President—Purchasing*

DOUGLAS McL. MORE *Vice President & General Counsel*

JOSEPH J. RICE JR. *Vice President*

HOWARD F. RODERICK *Vice President*

ROBERT F. SCHULTZ *Vice President—Engineering
& Manufacturing*

ROGER C. SONNEMANN *Vice President—Industrial Relations*

CLARENCE A. STIEGMAN *Vice President—Research*

EDWARD B. THOMPSON *Vice President*

ARTHUR W. CHAMBERS JR. *Secretary*

EDWARD W. MATHIAS *Treasurer*

A. RICHARD PERRY *Controller*

Transfer Agent

Chemical Bank New York Trust Company,
New York, N.Y.

Registrar

The Chase Manhattan Bank, N.A., New York, N.Y.

Certified Public Accountants

Arthur Young & Company, New York, N.Y.

Preferred, Preference & Common Stock Listings


New York Stock Exchange

The annual meeting of the shareholders of the Company will be held at 10:30 A.M., Eastern Standard Time, on Wednesday, April 17, 1968, in Room 315 (3rd Floor), Chemical Bank New York Trust Company Building, 277 Park Avenue, New York, N.Y.

Contents

Letter to Shareholders	2
Management in Profile	4
Review of Operations	6
The Widening Realm of Hooker	13
How Hooker Grows	15
The Udyllite Story	16
Financial Review	18
Financial Statements	21
Report of Certified Public Accountants	25
Ten Year Comparative Summary	26
Sales by Industries	28

Hooker, Durez, Udyllite, TriNi, Dur-Ni, Satylite, UBAC, THPC, Bonderite, Permapower, Permapower-Plus, Prufcoat, Tropical, HET, Hetron, Flame-Gard, Roxel, Rucorail, Stannostar, LCZ and Rucon are trademarks of Hooker Chemical Corporation or one of its subsidiaries in many of the principal countries throughout the world.

 **hooker**
Annual Report/1967

The Cover

What seems to be an abstract painting is actually a highly magnified photograph showing particles of Rucon B-41 bulk polyvinyl chloride resin in the process of absorbing plasticizer. Unusually rapid fusion properties, crystal clarity and improved heat stability are among the characteristics of the new Rucon resins, which are being marketed for the first time in 1968. The PVC seen on the cover can be used in producing products ranging from clear plastic bottles to extruded siding for homes.

Financial Highlights

	1967* (000 Omitted)	1966**
Net sales	\$ 364,585	\$ 355,086
Net income	26,175	29,245
Cash dividends paid:		
Common	13,120	12,424
Preferred	434	434
Working capital	83,112	82,217
Capital expenditures	44,409	37,997
Depreciation	20,320	17,293
Long term debt	82,460	71,293
Shareholders' equity	219,908	209,805
Common shares		
Outstanding (Year-end)	9,678,294	9,699,294
	Per Share of Common Stock	
Net income	\$ 2.53	\$ 2.84
Cash dividends	1.40	1.325
Cash flow	5.04	4.95
Shareholders' equity	21.69	20.60

*Hooker 13 months—Udylite 12 months

**Hooker 12 months—Udylite 12 months

To Our Shareholders



F. LEONARD BRYANT
Chairman of the Board



THOMAS F. WILLERS
President

With the merger of The Udylite Corporation into Hooker, the company passed an important symbolic milestone in 1967 when it exceeded the \$300 million sales mark. For the first time in six years, however, earnings did not set a new record.

Consolidated sales, with Hooker included for 13 months and Udylite for 12, totaled \$364,585,000. Of this, Udylite contributed \$62,533,000. The sales attributed to the 13th month in the above total are \$23,100,000.

Consolidated net income, on the same basis, totaled \$26,175,000, with Udylite contributing \$2,521,000. The net income for the 13th month was \$2,023,000.

Earnings per share (13 months for Hooker and 12 for Udylite) were \$2.53, compared with \$2.84 last year on a 12-month pro forma basis. Other consolidated comparisons are shown elsewhere in the report.

At its November meeting, the Board of Directors voted to change the Company's fiscal year from November 30 to December 31. This change brings us more in line with the reporting prac-

tices of other chemical companies and will assist management and the investing public in comparing our operations with those of our major competitors. Alternately, however, it may distort temporarily some of the statistical comparisons on a year-to-year basis. In the financial section and elsewhere in this report, we have attempted to make available all pertinent information in order to minimize this effect.

Our merger with Udylite typifies the strength we hope to achieve through greater diversification. It is based, in part, on our long-range plan to serve the metal treating and metal finishing industries in a significant manner. In addition, we see substantial current and potential synergism between the two companies.

First, we both market chemical systems and services to many of the same customers in the automotive, appliance, metalworking and foundry fields. Specifically, Udylite and our Parker Division sell and service metal treating and finishing companies with a broad line of non-competing but complementary products. Also, the Stevens Division of Udylite and our Durez Division market entirely different products to more than 5,500 foundry companies.

Second, manufacturing and marketing facilities of both companies are similar in nature. Potential future benefits appear to be substantial in developing optimum capabilities for manufacturing and marketing on a world-wide basis.

Third, the interaction of the market-oriented technology of Udylite with the basic chemical skills of Hooker's corporate research activity is expected to produce capabilities which will better meet the future needs of our customers.

Although we are disappointed in the interruption of the sales and earnings trends which have characterized our growth since 1961, considerable progress was made during the year which should contribute to the resumption of that pattern. These accomplishments, all significant factors in future growth, include:

- Completion of a major calendering and polymerization facility for polyvinyl chloride at Burlington, N.J., which will enable our Ruco Division to supply this growing market.
- Start of construction of a plant to produce a revolutionary line of man-made fabrics created by Ruco, including breathable leather-like synthetics, for marketing later in the year.

— Continued development of a novel and promising process for electroplating on plastics.

— Significant progress for the already-established Roxel process for making cotton and rayon permanently fire-retardant. Late in 1967, the President signed sweeping legislation which will make flame protection mandatory for a wide range of fabrics from wearing apparel to that used in homes, offices and public buildings.

— Introduction by Durez of a new family of fire-retardant ABS plastic materials with considerable market potential in the automotive, appliance, electronic and other fields.

— Expansions of 140-tons-a-day of chlorine and caustic soda capacities at each of the Taft, La., and North Vancouver, British Columbia, facilities, making Hooker the third largest producer of these chemicals in North America.

— Completion of a resins and specialty chemical plant in Genk, Belgium, marking our first manufacturing entry into the European Common Market.

— Doubling of the phthalic anhydride plant in Puerto Rico, to come on-stream in the spring of 1968.

— Substantial increases in the capacity of chlorobenzenes, thionyl chloride, parachloro BTF, chlorinated solvents, phenolic molding compounds and other chemicals at various U.S. plant locations.

— Exploration for sulfur in Mexico (a joint venture) as well as along the U. S. Gulf Coast.

These developments, and others in various stages of completion, are viewed by the management as a clear reflection of our commitment to the aggressive growth and diversification of the Company. Such new facilities and programs, completed or contemplated, are expected to play a significant part in our efforts to build a market-oriented company on a strong and diverse technological base.

Elsewhere, the year was marked by significant steps in the reorganization and strengthening of the senior management group. In particular, changes were made to break out of the traditional organization structure and create one reporting responsibility for all those functions which relate to the Company's opportunities for growth. It is expected that this carefully selected staff will increase our effectiveness in finding new business areas for Hooker.

In December, the stockholders approved an increase in the authorized common stock from 15,000,000 to 25,000,000 shares and the creation of a new class of 5,000,000 shares of preference stock issuable in series. These steps will provide flexibility in connection with possible future acquisitions and financings.

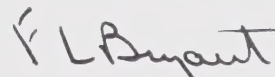
It should be evident that during the year the Company's operations, like those of other chemical companies, were subjected to a continuing and increasingly critical pressure by the cost-price squeeze. Strong measures were taken to tighten fiscal controls and to reduce costs, and those efforts are continuing. The outlook for 1968 is for a continuation of inflationary pressures, making it mandatory for the management to intensify its efforts to offset rising costs.

Most financial experts predict that the U.S. economy will improve in 1968. They expect the year to be one of recovery for the chemical industry just as in 1962, the year following the last industry slowdown. In such a climate, Hooker will be in an excellent position to capitalize on a "turn-around" because we have in-place capacity for substantial growth as a result of newly completed expansions.

On behalf of the Board of Directors, we express our grateful appreciation for the continued support and confidence of our employees and shareholders.



President—
Chief Executive Officer



Chairman

February 23, 1968

Management in Profile

Companies are made of people. Some of the people who are charged with the responsibility of guiding Hooker Chemical Corporation in its policies and operations can be seen at the right.

JAMES G. BALDWIN

Group Vice President

Mr. Baldwin, a member of the Board of Directors since December 1966, is responsible for all corporate development activities, including research, natural resources, patents and licensing and opportunity search and development. He joined the Company in 1960.

JOHN S. COEY

Group Vice President

Mr. Coey's responsibilities are for marketing, purchasing, public relations, transportation and distribution and government liaison. He has held a number of executive sales positions during a 30-year career with the Company.

WILLIAM D. MORRISON

Group Vice President

Mr. Morrison is in charge of domestic operating divisions, international operations and corporate manufacturing and engineering. On joining Hooker in 1961, he organized the Company's International Division.

CHARLES Y. CAIN

Vice President—Sales

Mr. Cain is responsible for corporate sales policies and for assisting the operating divisions in their sales activities and customer relations. He has served as general manager of two divisions and in several managerial assignments with other divisions during 27 years with Hooker.

FRED W. ELLIOTT

Vice President—Operations

Until recently vice president and general manager of Industrial Chemicals Division, Mr. Elliott now oversees the Industrial Chemicals, Durez, Parker, Ruco and Coatings Divisions, and Puerto Rico Chemical Company, a wholly-owned subsidiary. He joined Hooker in 1965.

CHARLES C. HORNBOSTEL

Vice President—Finance

A director of the Company since 1963, Mr. Hornbostel joined Hooker in 1959 as corporate controller, and was named director of finance the following year.

JOHN J. LENAHAN II

Vice President—Purchasing

Mr. Lenahan began his career with Hooker in 1948 as a laboratory chemist, subsequently moved through a number of executive posts in Durez, Industrial Chemicals and Farm Chemicals Divisions. Named a vice president in March 1967, he was previously director of procurement.

DOUGLAS McL. MORE

Vice President and General Counsel

General counsel since 1963, Mr. More was elected a corporate vice president in March 1967. He joined Hooker as an associate counsel in 1959.

JOSEPH J. RICE JR.

Vice President

Mr. Rice, president of The Udylyte Corporation, is Hooker's newest officer. In addition to becoming a vice president of Hooker, he has been elected to the Hooker Board of Directors. He joined Udylyte in 1946. Mr. Rice's picture may be seen on page 16.

ROBERT F. SCHULTZ

Vice President—Engineering and Manufacturing

Mr. Schultz, who joined Hooker in 1941 as a chemical engineer, is in charge of manufacturing services, including environmental health and industrial engineering. Through Corporate Engineering, he also oversees design and construction of major projects.

ROGER C. SONNEMANN

Vice President—Industrial Relations

Mr. Sonnemann's duties encompass employee relations, manpower planning, compensation and benefits, personnel development, organization planning and development and labor relations. He has been with Hooker since 1959.

CLARENCE A. STIEGMAN

Vice President—Research

Dr. Stiegman directs the activities of Hooker's Central Research Laboratories at Grand Island, N. Y. During a 30-year career with the Company, he has served as director of product development, technical director and corporate director of research.

ARTHUR W. CHAMBERS JR.

Secretary

Mr. Chambers' duties are not only those of corporation secretary but of associate counsel as well, a dual post he has held since May 1964. He joined Hooker in 1953 as an attorney in the legal department.

EDWARD W. MATHIAS

Treasurer

Mr. Mathias' responsibilities include tax planning and tax compliance, insurance, credits and collection and cash management. Treasurer since 1959, he has been with Hooker 25 years.

A. RICHARD PERRY

Controller

In addition to his duties as controller, Mr. Perry directs the Corporation's efforts in providing a management information system. He has served in various controllership capacities during his 12 years with Hooker.



JOHN S. COEY



CHARLES C. HORNBOSTEL



ROGER C. SONNEMANN



CLARENCE A. STIEGMAN

JAMES G. BALDWIN



JOHN J. LENAHAN II

CHARLES Y. CAIN



EDWARD W. MATHIAS

A. RICHARD PERRY



ARTHUR W. CHAMBERS JR.

DOUGLAS McL. MORE



WILLIAM D. MORRISON

ROBERT F. SCHULTZ

FRED W. ELLIOTT

Review of Operations

The following review gives an overall look at significant developments in Hooker's principal areas of activity during 1967. A closer focus on some interesting individual facets of the company's operations can be found in "The Widening Realm of Hooker," beginning on page 13.

UDYLITE MERGER Hooker's size increased appreciably through the merger into Hooker of The Udyllite Corporation of Warren, Mich. Udyllite manufactures and distributes, and is the world's leading supplier of, machines, chemicals, acces-

out the world, include: TriNi and Dur-Ni, both of which extend the durability of chrome-plated materials by retarding the electrolytic corrosion of the nickel underlayer; Satylite, which imparts a soft-textured satin finish; UBAC, a popular acid copper-plating process, and other plating finishes that may end up on anything from kitchen faucets to Zippo lighters.

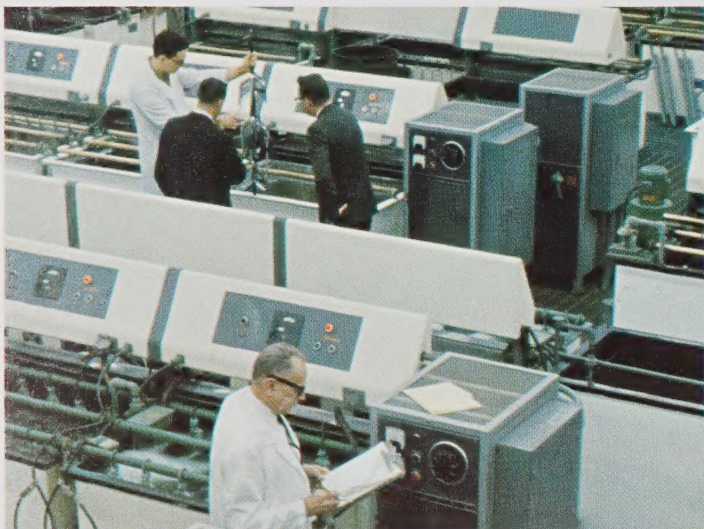
Through its Frederic B. Stevens Division, Udyllite also makes and markets products used in the foundry industry. Stevens foundry products include crucibles and other foundry equipment, mudding compounds, core and mold washes, binders and core pastes.

Like Hooker, Udyllite is founded largely on research. A sizeable well-equipped research organization conceived and developed the plating processes most widely used today, and provides the continuing know-how that makes Udyllite's business grow. New processes that will become standard tomorrow will, the company believes, continue to come from the same research laboratories.

Udyllite and Hooker researchers already are cooperating on projects to which each can contribute special knowledge...a preview of the benefits to both companies that may be expected from the merger. The logic of corporate fusion is apparent from other points of view as well. Hooker's Parker Division, through the pre-coatings that rustproof and insure lasting paint finishes on new cars, already is serving the same automotive industry for which Udyllite is fashioning shinier bumpers and non-glare instrument panel trim. The Durez Division, in marketing its foundry resins, will benefit from the strong coverage of Udyllite's Stevens Division in other foundry supplies.

Parker and Durez themselves are examples of the kind of potential that is implicit in the Hooker-Udyllite alliance: Parker sales have almost doubled since the company was acquired by Hooker five years ago, while in 12 years, Durez sales have more than doubled. Like Parker and Durez, Udyllite's technical and market know-how in its own area will be bolstered by Hooker's broader base and interrelated technical skills. Even prior to the merger, however, Udyllite had shown a consistent pattern of growth, boosting sales more than 50% in the last five years.

PLASTICS According to the McGraw-Hill Department of Economics, the plastics industry



On the surface: Pilot plating service at Udyllite, where researchers help customers develop new plating applications.

sories and supplies for electroplating, electro-painting and related metal treating processes.

It is a happy union for both companies. The merger gives Hooker substantial strength in a compatible area and offers Udyllite additional markets, resources and support.

Udyllite machines and supplies are employed extensively by the automotive, appliance and other industries that are concerned with the protection and appearance of metal surfaces. The Udyllite equipment ranges from rectifiers and other electrical components used by commercial electroplaters, to a 700-foot-long unit which plates some four acres of automobile bumper surface per day. Plating supplies, sold at the rate of millions of pounds annually, include chemicals, special additives, anodes, plastic coatings and polishing and buffing compounds.

Udyllite proprietary processes, used through-

will grow at the rate of some 15% annually during the next 15 years—some five times the projected growth rates for textiles or steel. This swiftly-moving field constitutes one of Hooker's largest market areas. It is served by the Durez and Ruco Divisions.

Major expansion took place at Ruco during 1967. At a new site in Burlington, N. J., the division dedicated and began initial operation of a major calendering and homopolymer facility. The facility will produce unique new types of resins and compounds and an expanded line of calendered film and sheet. Later this year, Ruco will start producing a new generation of synthetic fabrics tailored to meet the special needs of converters and manufacturers.

These unique constructions, consisting of a special polymer and substrate, will make Hooker a major contender in a fast-growing market area;

man-made fabrics are becoming increasingly popular in apparel, accessories, upholstery and home decoration. The Ruco fabrics can be made to be breathable, washable and dry-cleanable; may look and feel like top-grade leathers, including suedes. In consumer products, they will be appropriate for shoes, clothing, luggage, auto seats. Industrial uses will range from protective clothing to conveyor belts.

The Durez Division also jumped in size with construction in North Tonawanda, N. Y., of a multi-million dollar facility which increased production of phenolic molding compounds. The expansion will give Durez — which already has demonstrated an impressive ability to match sales to increased production capacity — even more potential to search out new areas of business. During 1967, Durez continued its profitable penetration of the automotive industry with

Leviathan: The "Metlakatla," largest barge ever launched on the Canadian West Coast, carries bleaching chemicals from Vancouver to Prince Rupert.



plastics that replace metal. Use of Hetron polyesters expanded in such areas as building construction, corrosion-resistant industrial ductwork, aircraft fuselages and truck cabs.

AGRICULTURAL CHEMICALS Agricultural chemicals continued to be a significant source of revenue during 1967 in spite of price erosion. The company's Farm Chemicals Division is one of the world's leading producers of diammonium phosphate fertilizer, with plants in Taft, La., and Marseilles, Ill., serving markets throughout the U.S., Latin America and the Far East. Hooker is also an important supplier of phosphate nutrients, which are sold to manufacturers of feeds for livestock and poultry. Sales of these feed supplements have increased approximately 60% since 1965.

Other Hooker products in the agricultural field include a wide range of chemical intermediates used in pesticides. Agricultural pesticides, one of the factors that has made it possible for each American farmer to feed and clothe almost 40 of his countrymen compared with 10 only a generation ago, constitute an attractive and growing field of endeavor.

CHEMICAL SPECIALTIES At a recent count, the Industrial Chemicals Division was offering some 150 specialized chemicals, ranging from "Alkali Special, 928," a bottle washing compound, to "Tetrakis (Hydroxymethyl) Phosphonium Chloride 80%," used in producing durable, fire-retardant finishes on cotton, rayon, paper and other cellulosic materials. In addition, the division produces any number of custom chemicals, using a multi-million dollar array of unusually flexible equipment designed to move quickly from one chemical to another. When a customer calls for large quantities of a new chemical, Hooker's process development organization is geared to develop a synthesis route and get into production rapidly. Capability like this has put Hooker in a strong position as a supplier to a variety of basic industries, including other chemical companies.

Hooker, North America's third largest producer of chlorine, upgrades some 50% of its output into intermediate chemicals. One example is hexachlorocyclopentadiene, which finds its way into products ranging from pesticides to fire-retardant additives. Know-how in chlorine chem-



Plastic plant: A close-up view of a portion of Ruco's new calendering and homopolymer facility in Burlington, N.J.

istry is matched by similar expertise in the chemical manipulation of fluorine, phosphorus, sulfur, phenol and other materials. The resulting intermediates account for approximately 15% of Hooker sales.

PULP AND PAPER CHEMICALS An acknowledged leader in pulp bleaching chemistry, Hooker has been selling chlorine, caustic soda and sodium chlorate to the pulp and paper industry for 50 years. Sales in this category increased about 10% during 1967, should jump again during 1968 because of expanded facilities and deeper penetration of the market. Hooker's reputation for technical leadership and service to the industry received a notable boost in February 1967, when the company unveiled a new sequential method of bleaching that one trade magazine said would reduce papermakers' costs by 10 to 15%.

A \$6 million expansion program, initiated December 1966 at the North Vancouver, British Columbia, plant of Hooker Chemicals, Ltd., resulted in greatly increased production capacity during 1967. In addition, Hooker began shipping chemicals in the largest barge ever built and launched on the Canadian West Coast — a 272-foot, million-dollar leviathan appropriately named "Metlakatla," or "Water Passageway," after a local Indian tribe. The 5,500-ton barge carries bleaching chemicals on the thousand-mile round trip from Vancouver to Prince Rupert.



Opening: Above, inauguration of Hooker plant in Genk, Belgium, marked the company's entry into the European Common Market.

Flame protection: Below, researcher at Grand Island runs a flame test on Roxel-treated fabric. Amended Flammable Fabrics Act greatly expands mandatory flame protection for consumer.



In the U.S., the company expanded its chlor-alkali facilities at Taft, La. During 1967, Hooker continued to develop technology of its diaphragm electrolytic cells. Licensing of the cells, which are used to produce about 35% of U.S. domestic production of chlorine, represents a significant source of income for Hooker.

METAL TREATING CHEMICALS The Parker Division maintained its leadership as a favored supplier to all industries that make things out of metal. One of Parker's particular strengths is in the automotive industry, where the Bonderite coatings are used to prepare metal surfaces to insure rust resistance and longer paint life. During 1967, Bonderite also continued to be the accepted standard in pre-coating used by steel mills for the continuous strip stock they sell to metal fabricators. In a third area, custom coating of sheet and strip, Parker continued to enjoy a strong sales position.

Hooker is a major factor in the production of trichlorethylene, used as an industrial degreasing agent; plants are at Niagara Falls, N. Y., and Tacoma, Wash. During the year, the company completed a new facility at Taft, La., which will raise trichlorethylene capacity more than 40%.

DETERGENT AND DRY CLEANING CHEMICALS The industries that keep America's supermarket shelves well-stocked with soap and detergent products use large quantities of phosphates, chlorine compounds and other chemicals. Hooker, with its basic phosphorus, chlorine and caustic position, is one of five major suppliers to this field. In detergents, the company's most important product is sodium tripolyphosphate, which is used in granular household detergents. Another product, tetrapotassium pyrophosphate, makes liquid detergents possible. Perhaps the Hooker product that comes closest to anonymity in the household field is something called 2,4,5 trichlorophenol. After undergoing further chemical evolution, it becomes a component of "Hexachlorophene," a germicide claiming some public attention as an advertised ingredient of soap and toothpaste.

In the dry cleaning field, the company is a volume supplier of the most widely-used solvent, perchlorethylene. Hooker, already known for its Permapower solvent, introduced a new dry cleaning product, Permapower-Plus, during 1967. The

product already has achieved acceptance by dry cleaning plants and was described by one trade magazine as, "perhaps the most significant improvement since dry cleaners first started adopting perchlor as their solvent 25 years ago."

Expansion at the Taft, La. plant in 1967 will triple Hooker's perchlorethylene capacity.

COATINGS DIVISION The Coatings Division markets a broad array of protective paints and related specialties. Under the Prufcoat name, it specializes in marine paints, paints and primers for industrial maintenance, and tough, resistant paints able to withstand corrosive chemical environments. Under the Tropical brand, the division enjoys a long-established name in the municipal and institutional fields, selling floor paints, Flame-Gard roof coating, pool paints and sealers and other products.

During 1967, the Coatings Division began marketing a new proprietary process, a reflective-type metallic roof coating called Solar-Gard V, and introduced a number of products, including P-40, a new kind of aqueous primer intended to help industry meet more stringent pollution legislation requirements.

INTERNATIONAL MARKETS The International Division has grown more than three-fold since its establishment in 1962. Today the company views markets abroad as one of the most promising areas of growth. International sales—including sales of consolidated Hooker foreign subsidiaries, and sales in and to Canada—increased approximately 28% during the 1967 reporting period, and now represent about 15% of Hooker's total sales.

A substantial factor in exports was fertilizer shipped to the Far East under programs of the Agency for International Development. Also high on the list of Hooker exports were a number of specialty and commodity type chemicals, ranging from benzoyl chloride to pesticide ingredients.

Operations outside the U. S. and Canada included production through subsidiaries and affiliates of phenol, phenolic resins, activated carbon, industrial phosphates, phthalic anhydride, polyvinyl acetate, urea resins and Parker conversion coatings. Other important overseas activities were licensing arrangements for Parker Division products and processes, and for Hooker electro-



Making chlorine: Technicians tend banks of diaphragm electrolytic cells at North Vancouver plant.



Starting point: Power shovel takes a huge bite of phosphate rock, a basic raw material for Hooker.



Ocean gateway: Automated loading at Taft, La., one of Hooker's deep-water dock facilities.



Sulfur search: Saline spring on Mexico's Isthmus of Tehuantepec yields sample to Hooker explorer.

lytic cell technology for chlor-alkali production.

Hooker opened its first European plant in September, a multi-million dollar facility in Genk, Belgium. The Belgian company, N. V. Hooker Chemical S.A., is a wholly-owned subsidiary. It produces Durez phenolic resins and HET acid for fire-retardant polyester resins, and Ruco elastomeric polyesters. In the heart of the Common Market, the new chemical complex will sell its products throughout Europe, North Africa and the Middle East.

Other plants built abroad since 1961 are in Mexico and Canada, both wholly-owned, and in Argentina, Japan and Australia, partially-owned.

NATURAL RESOURCES Opportunities for company growth and diversification as well as for profit improvement are being investigated by the Natural Resources Department. With the accelerating pace of industrial growth, the consumption of many natural resources has advanced to the point where discovery of new reserves at an increased rate is vital to maintaining traditional balances.

The recently-created department is charged with the responsibility of acquiring sources of basic starting materials of current or potential use to the manufacturing divisions of the company. There can be strong advantages in developing our own raw material supplies to protect established market positions or to open new business areas.

The Natural Resources Department presently is exploring for phosphate rock, salt and several other minerals. The department's major current activity, however, is concerned with sulfur. This basic material continues in worldwide short supply, hampering the manufacture of fertilizers and of a great number of chemical products essential to industry.

Exploration for new sulfur deposits is underway in Mexico. Activities south of the border are carried out through Minera de Sotavento S.A. de C.V., a company in which Hooker has a 34% interest. The remainder is held by private Mexican interests. Exploratory drilling has begun on the first of three concession areas granted by the Mexican government to Minera de Sotavento. The concessions are located in the Isthmus of Tehuantepec, a region where sulfur mines now operating include one of the world's largest installations.

Further, the feasibility of mining sulfur on Bryan Mound in Texas is being investigated through the operation of an evaluation plant.

IDENTITY PROGRAM One of 1967's most important activities was in the realm of ideas rather than in happenings. This was the unfolding of the vigorous corporate identification program which had been launched the previous December. During 1967, the program began to make noticeable headway in solving the problem of Hooker's "delayed image"—the inevitable lag caused when a rapidly-growing company moves ahead faster than the public's picture of it.

Hooker's new, unified identity is symbolized by the stylized "h", formed of black and orange vertical bars, that can be seen on this report and every other piece of printed communication issued by the company. The symbol became the common banner of all Hooker divisions and subsidiaries, some of which—particularly newer acquisitions—had still been widely regarded as isolated companies. Appearing on everything from letterheads to tank cars, the new emblem supplanted the variety of inherited trademarks and signatures.

At the same time, a corporate advertising program was launched to dramatize the scope of Hooker's influence on the world around it. Tied to the theme, "There must be a Hooker somewhere," a series of ads told of the impact of Hooker products in a diversity of areas, ranging from agriculture to automotive safety. The program received unusual recognition from *Time* magazine, which used it as the subject of one of its own campaigns ("Time—Where Hooker Chemical starts a reaction"), the first time any advertiser of non-consumer products had been so featured.

Symbol: Hooker's increasingly familiar black and orange emblem is added to new oceangoing barge.





"Growth is a way of life at Hooker. From approximately \$100 million in sales only 10 years ago, we now have broken through the \$300 million level and expect to more than double that figure in a few years. This growth will come from chemicals not available today, from expansion in plastics, from food-producing chemicals, from leather-like synthetic fabrics, from being basic in natural resources, from continuing growth of existing products, from acquisitions and from creative exploration of our growing file of more than 3,000 patents."

THOMAS F. WILLERS
President

The Widening Realm of Hooker

Making things that are used to make other things is Hooker's business—a business that touches most areas of modern life

Few people would think of Hooker Chemical Corporation as a maker of consumer products. But when the American consumer drives a car, writes a letter, takes a bath, switches on an electric light, or simply eats supper—his life nevertheless has been touched by Hooker. Hooker's business is making things that are used to make other things, and it would be hard to find an American household that isn't dependent somehow on the output of at least one of the 34 plant locations in the Hooker complex, to which now have been added 15 plant locations of Udylyte.

In 1968, for example, upwards of four million U.S. motorists will be driving new cars that use thrust washers of Hooker-made phenolic plastic in their automatic transmissions. Until now, thrust washers ordinarily have been made of aluminum.

Still more of the 1968 American cars—in fact a majority of all those with power brakes—will each carry a few additional pounds of Hooker phenolic in place of previously metal parts.

If a housewife uses any one of several popular brands of detergents to wash the dishes or do her laundry, an industrial phosphate produced by Hooker likely is one of the ingredients.

If a consumer uses any product made of white paper—from his office stationery to the magazine on his coffee table—there's a good chance that the wood pulp has been bleached and purified by chlorine, caustic soda and sodium chlorate produced in a Hooker plant.

Hooker products make paint stick to new cars, churn clothes in washing machines, give a popular toothpaste its mouth-freshening appeal. They kill crabgrass and make corn grow taller. They panel the world's largest room—the moon rocket assembly building at Cape Kennedy—and, made into spandex thread, hold up people's socks. They're used for drycleaning the family wardrobe and for the industrial degreasing of metal parts. Sprayed on the ground, they harden into "instant" helicopter landing pads. They insulate power tools, seal prescription bottles, dye fabrics and travel into outer space.

The reason for Hooker's ubiquitous reach, of course, is the basic nature of the materials it makes and supplies to the architects of our modern environment. Hooker is "where it's happening." And, in the tomorrow that is already taking shape today, Hooker's territory will continue to be wherever it's happening.

How will Hooker touch and enrich human life next year...and afterward? The answer is limited only by the imaginations of the scientists, technicians and businessmen who will be using the basic building blocks provided by Hooker and by the needs of the society that will consume the resultant products.

To take several examples at random:

□ The "packaging revolution," a \$26 billion business that is destined nearly to double in size within the next eight years, will have important consequences for Hooker in both the plastics and paper areas. In plastics, Hooker already is producing polyvinyl chloride resins that go into such varying end products as food wrappings and the new clear plastic bottles for shampoo, detergents and cosmetics. The packaging industry has increased its dependence on PVC by 60% during the last year alone, and a more than 300% increase by 1970 is forecast. The consumer's insistence on having things ever more handsomely and usefully wrapped, boxed or labeled will mean gains for paper packaging too. Hooker's 50-year lead in pulp bleaching, plus continuing research in producing stronger, more attractive paper packaging, will keep Hooker's feet planted firmly in this area.

□ The "information explosion" means that commerce, science and industry will be eating up ever-increasing quantities of paper for books and business forms, trade and technical journals, records and correspondence. The average American now consumes 530 pounds of paper per year, according to the U.S. Department of Commerce, and will increase his paper appetite to 711 pounds by the year 2000 if current trends in the "information explosion," abetted by the "packaging revolution," continue. Again, the paper industry that must supply this demand already looks to Hooker for a large part of its chemical needs.

□ Food for a hungry world will be mankind's overriding concern during the next decade...with tragic consequences for an orderly world society should we fail to meet the challenge. Hooker is a major factor in the total agricultural picture, with producing capacity of some 500,000 tons of phosphate fertilizer a year, plus growth-promoting chemicals for livestock, ingredients for pesticides and herbicides, and other products for the farm throughout the world.

□ On December 14, 1967, President Johnson



New role for plastic: Millions of American cars sold during 1968 will carry more parts made of Durez Division's phenolic plastic instead of metal.

signed into law an amended Flammable Fabrics Act which vastly broadens the scope of the original legislation. Virtually all household fabrics and wearing apparel now will have to meet rigidly-defined safety standards—providing a significant boost to the market for fire-retardant chemicals. Hooker's THPC process for protecting cotton and rayon has been a favored system since it was introduced in 1963, appearing in industrial work garments, hospital and nursing home linens and military clothing under the name Roxel. A major advantage of the Roxel treatment is its continued effectiveness after repeated laundering—a must for clothing and linens. Now, with flame protection the law of the land, the horizons for Roxel are broadened considerably.

□ A particularly important market for plastics is the \$72 billion construction industry, which now is using well over three billion pounds a year. Modernization of building codes, the continuing need for new construction and improvements in plastics themselves are all factors that will contribute to further plastics growth in this sector. Hooker's bid for pre-eminence in plastics for construction stems from such developments as:

- *Fire-retardant Hetron polyester resins used for roofing, exterior paneling and even entire prefabricated shell structures.
- *Durable corrosion-resistant plastics for pipes and ductwork.
- *Decorative plastics such as Rucorail, an easily-worked thermoplastic material, which is used for handsome, low-maintenance, seamless railings.

□ Until now, in the plastic film business, Hooker has been an anonymous supplier of polyvinyl chloride calendered materials that other manufacturers use to make shower curtains, luggage specialties, pool liners, loose-leaf binders,

window shades and thousands of other items. During 1968, the opening of a major synthetic fabrics facility by the Ruco Division will put Hooker closer to the consumer with a revolutionary line of breathable, leather-like fabrics. These textured or patterned materials will find their markets in upholstery, luggage, clothing and footwear. Plainer, workaday versions will have myriad industrial applications, ranging from tough conveyor belts to tents and tarpaulins. Ruco's unique polymers will have superior physical properties—better abrasion resistance, breathability which can be controlled to the desired degree, flexibility at low temperatures, and of particular importance to the fashion world, launderability and dry-cleanability.

□ As a "chemists' chemist"—producer of fundamental materials needed by other chemical companies—Hooker's destiny will continue to be linked in large measure with the forward thrust of chemical technology as a whole. Whatever the chemical industry may have in store for society during the next decades, it will require vast supplies of basic chemicals and chemical intermediates...and will continue to get many of them from Hooker. In basic chemicals, for example, Hooker presently accounts for about eight percent of total U.S. chlorine capacity, while licensees using Hooker's electrolytic cells account for another 27%. Hooker is an important producer of phenol, with a capacity of more than 150 million pounds a year. During 1968, Hooker will double to 100 million pounds a year its capacity to produce phthalic anhydride, a chemical important to the plastics and paint industries.

There are few boundaries for Hooker, as these examples suggest. Wherever there's a place for the products of modern chemistry, there's a place for this busy company. And where the places are not obvious, Hooker is searching them out.



Fabrics of the future: Examining a sample of leather-like material from line of synthetic fabrics soon to be introduced by Ruco Division are Hooker's director of styling, Frederick Wright (right), and designer-stylist Richard Fisher. Kaleidoscopic patterns on wall are some of the many designs they are creating for home furnishings and fashion applications.

How Hooker Grows

Hooker knows there is no substitute for the questing mind. Human imagination is the irreplaceable catalyst needed to turn inanimate chemicals into useful products; to create a market where no market existed before; to uncover opportunities in the shifting economic landscape.

The search for such minds is never-ending. It begins with the recruitment of promising college graduates, and continues at all levels of the Hooker organization. As far as it is possible to encourage creative thought by providing a climate of intellectual freedom, it is Hooker's policy to do so.

Important everywhere within the company, the questing, restless mind is especially vital to the research and planning programs — the twin fountainheads of company growth.

Both pure and applied research are carried out at Hooker's Central Research Laboratories at Grand Island, N.Y., on the Niagara River. On a campus-like, 61-acre site, the center contains 24 laboratories, a full array of the sophisticated equipment and instrumentation required by today's chemical research.

Grand Island has been earmarked for a long-range program of growth and development. The first step will be completion this year of a \$3 million corporate services building adjacent to Central Research. Purchasing, engineering and patents and licensing personnel will be among the staff moving into the 73,000 square-foot addition, providing valuable liaison and cross-pollination of ideas, along with expansion of computer services and additional information retrieval equipment.

Hooker also maintains a number of research groups at the divisional level. These pursue some

of the more immediate problems relating to their own products and markets, and, as might be expected, are technical service and customer oriented. Alert to growth areas in their own fields, they often will take a basic concept advanced by Central Research and turn it into something marketable.

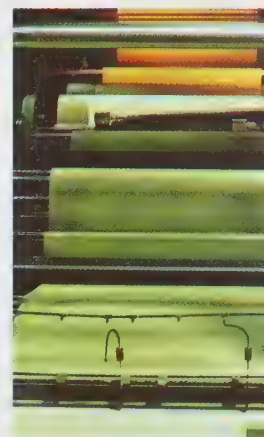
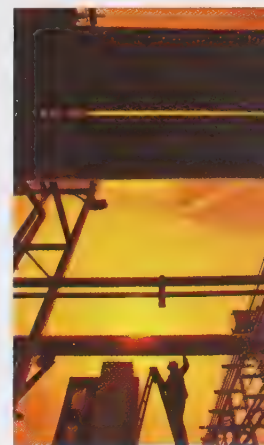
As the divisional researchers work in resonance with Grand Island, they also lend their individual strengths to each other. Background developed by one division often can be of use in solving related problems in an entirely different industry served by some other Hooker division.

But research without planning is meaningless, for planning gives direction to research.

Early in 1967, Hooker took steps to bring some of its scattered planning, or development, groups into closer alignment. The aim: to improve the interchange of ideas and blend some of the separate goals. The energizing process began to work with noticeable success during the year, giving the company a more purposeful reach in the quest for new markets.

An explicit "strategy of growth" is the acknowledged mandate of the now-united planning team. Under the new plan, all divisions and day-to-day operations now report to one group vice president. The future, or "innovative," area falls under a second group vice president who is responsible for corporate planning, central research, marketing research, natural resources, and patents and licensing. An organization is being developed within the innovative area that will plan and develop projects, and will not be bound by the traditional line management approach.

Hooker's palpable will to grow has been bearing fruit for some time. Said the financial publication *Barron's* during 1967: "Hooker has outperformed its industry in recent years... Management has effectively diversified and expanded its sales base, both in terms of products and markets." With the new definitive assignment of responsibilities, the company's short-range and long-range planning programs should work more efficiently than ever. Hooker is now ready to begin a fresh chapter in its strategy of growth by premeditation.



Expanding: Above, new construction at Burlington symbolizes expanding plastics capabilities. Below, PVC film cascades from rollers.

Questing: Researcher at Grand Island analyzes a solution with atomic absorption spectrophotometer.



People and places: At left, Udylite's Detroit headquarters; research laboratories are seen at rear. Right, Udylite President J. J. Rice Jr., now also a Hooker vice president and director.

The Udylite Story: Surfaces Unlimited

The Udylite Corporation began because piano wire, some 50 years ago, showed a troublesome tendency to rust.

In 1919, a man of inventive bent named Marvin Udy began a search for a solution to the problem. His discovery of a corrosion-resistant cadmium coating applied by means of electroplating led to the founding of the Udylite Process Company in Kokomo, Ind., that year.

It soon became apparent that cadmium plating had many more potential applications than the rust-proofing of piano wire. The process gained early acceptance in the automotive, appliance and farm implement industries. A host of other industries soon adopted it, and it was not long before numerous companies were established that specialized in electroplating with the Udylite process.

In 1927, the company moved to Detroit, better to serve the metal finishing industry as a whole. The Udylite research group subsequently perfected a Bright Nickel plating process which provided through chemistry a bright finish, which not only protected metal surfaces from corrosion but beautified them as well. This early development revolutionized the product design concepts of a wide range of major industries. Since that time, there has been a continuous increase in the

number of plated products because of the additional attractiveness and salability that plating imparts.

Today, Udylite is recognized globally as the leading supplier of machinery, chemicals and accessory equipment for electroplating, electro-painting and related metal treating processes. Domestic plants are in Detroit and Warren, Mich.; Springfield, O.; Los Angeles, Calif.; Buffalo, N.Y. and Wallingford, Conn. Internationally, Udylite products are manufactured and distributed by subsidiaries, affiliates and licensees in 24 countries throughout all industrial areas of the free world. Subsidiaries and affiliates are located in Mexico, Puerto Rico, Brazil and Argentina. Equity interests are also held in EFCO Limited, England and Canadian Hanson Van Winkle Company of Canada.

The marketplace for Udylite products is virtually unlimited. Anywhere there exists a metal or plastic product that can benefit from a better-looking, longer-lasting or more saleable finish — there exists an opportunity for Udylite. The bumper on your car, the pen you write with, the chair you sit on, the appliances in your kitchen more than likely were given all or part of their finish by a Udylite product.

Udylite customers occupy every position on

the economic scale. They range from industrial giants like General Motors, I.B.M. and Westinghouse to the smallest of job shop platers employing eight or nine people.

Udylite supplies them with metal finishing machinery, chemicals, proprietary processes, accessories and electrical equipment. The list includes automatic plating machines, rectifiers, tanks, filtering units, control systems, myriad chemical supplies, cleaners and addition agents used in the varied Udylite processes. As a supplier to the foundry industry through its highly-respected Frederic B. Stevens Division, Udylite also enjoys a reputation for quality products and technical capability in the metal casting industry.

Udylite's overall success pattern, and the growth in sales and profits it has experienced in the past 10 years, have been due largely to the out-of-the-ordinary attention that it pays to its customers. This unusual service concept is exemplified by the fact that Udylite tests and analyzes more than 2,000 customer plating bath samples each month. In addition, Udylite's Pilot Plating Laboratory test-plates an endless procession and infinite variety of sample parts received from customers.

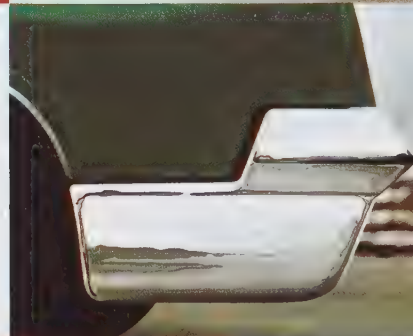


In the year just completed, Udylite added fresh accomplishments to its record of trail-blazing research and product development. Important among the new products introduced in 1967 were Stannostar, a bright acid tin deposit for electronic, electrical and decorative applications, and LCZ, a low cyanide zinc process keyed to the need to reduce stream pollution.

Udylite linked its destinies with Hooker Chemical Corporation on January 2, 1968, when it became a wholly-owned Hooker subsidiary. The move lends Udylite additional strengths in marketing its products, gives further depth to the research-oriented approach that already has given Udylite its pre-eminent position in its field. With an undeniably bright past, Udylite is heading for an even brighter future as it explores its boundless world of the surface of things.



Finishing touches: Udylite products and processes are likely to end up on anything from cigaret lighters and toasters to automobile bumpers and nautical brightwork.



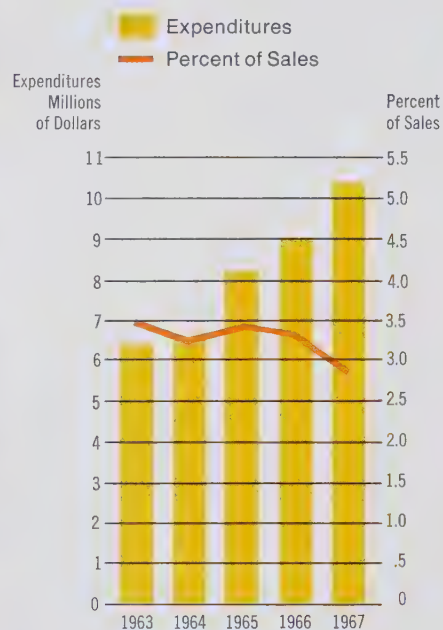
Probing the surface: Research-oriented, Udylite spurs its growth by developing new plating processes, continuing to work with customers for best results.



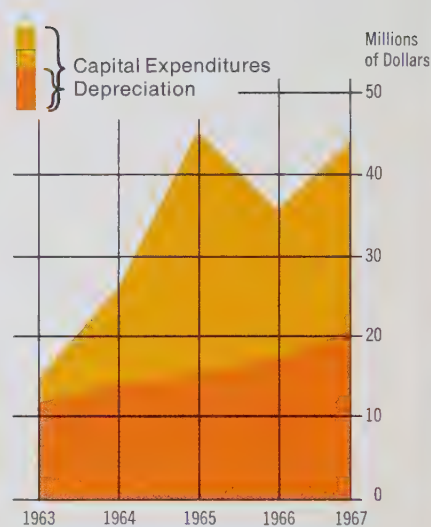
Financial Review



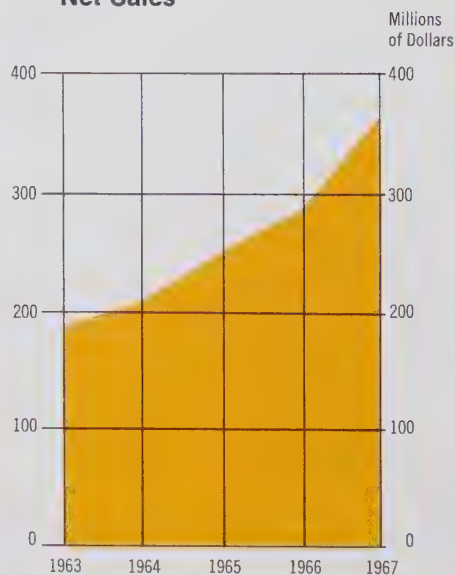
Research and Development Expenditures



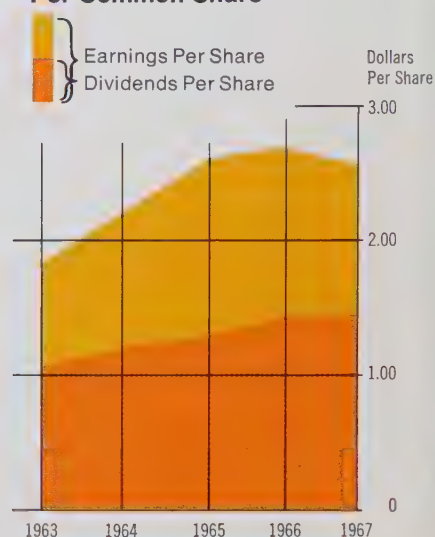
Capital Expenditures and Depreciation



Net Sales

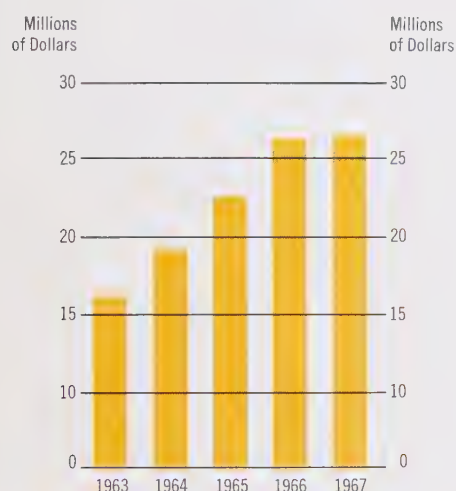


Earnings and Dividends Per Common Share

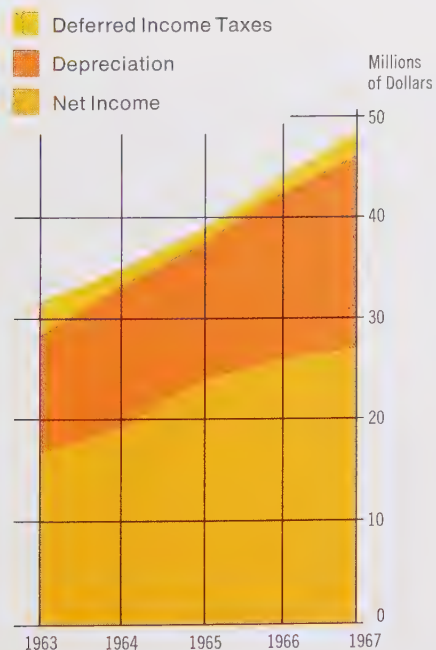


Note: The above charts reflect past years as reported in respective Annual Reports.

Net Income



Cash Flow



On December 21, 1967 the stockholders of both Hooker Chemical Corporation and The Udyllite Corporation approved the merger of Udyllite into Hooker. On January 2, 1968, following receipt of a favorable tax ruling from the United States Treasury Department, the merger became effective and the business thus acquired was transferred to a new Hooker subsidiary bearing the Udyllite name.

The two companies are consolidated in this report for comparative purposes for 1966 and 1967. In 1967, the Company changed its fiscal year end from November 30 to December 31. Accordingly, the figures reported for 1967 reflect Hooker for 13 months and Udyllite for 12 months. Figures for 1966 are on a 12-month basis for each company.

In acquiring Udyllite, your Company issued 316,821 shares of common stock and 570,276 shares of a convertible series, with a \$2.16 dividend rate, of a new class of preference stock authorized at the December 21, 1967 special meeting of Hooker stockholders. Each share of this new series is convertible into one share of common stock.

Sales and income

Sales and income for Hooker, as a result of consolidating Udyllite into Hooker as of December 31, 1967, are as follows:

	Hooker	Udyllite	Consolidated
Sales			
1967	\$302,052,000	\$62,533,000	\$364,585,000
1966	284,095,000	70,991,000	355,086,000
Income before taxes			
1967	\$38,036,000	\$4,121,000	\$42,157,000
1966	43,450,000	6,468,000	49,918,000
Net income			
1967	\$23,654,000	\$2,521,000	\$26,175,000
1966	25,777,000	3,468,000	29,245,000

Control: A process control engineer at Industrial Chemicals Division checks his instruments.



Cash flow

Cash flow from net income, depreciation and amortization, and deferred taxes in 1967 totaled \$48,795,000 or \$5.04 per share of common stock as shown below:

	Hooker	Udylite	Consolidated
Net income	\$23,654,000	\$2,521,000	\$26,175,000
Depreciation & amortization	19,478,000	842,000	20,320,000
Deferred taxes	2,240,000	60,000	2,300,000
Total	<u>\$45,372,000</u>	<u>\$3,423,000</u>	<u>\$48,795,000</u>

Capital expenditures

Expenditures for additions and improvements to plants and facilities in 1967 amounted to \$44,409,000 while depreciation and amortization totaled \$20,320,000.

	Hooker	Udylite	Consolidated
Capital expenditures	\$43,253,000	\$1,156,000	\$44,409,000
Depreciation & amortization	19,478,000	842,000	20,320,000

Research and development

The operation of research and development programs for Hooker and Udylite required \$10,340,000 for the year as compared with \$9,953,000 last year. These costs were distributed between the two companies as follows:

	Hooker	Udylite	Consolidated
1967	\$9,215,000	\$1,125,000	\$10,340,000
1966	8,995,000	958,000	9,953,000

Calendered: Its production run completed, the last few yards of a batch of calendered PVC film is pulled off rollers.

Dividends

Hooker's quarterly dividend remained at the 35¢ per share set in the fourth quarter of 1966. The annual dividend payout increased from \$1.325 for 1966 to \$1.40 in 1967.

Dividend review

	Cash dividend	Total cash dividends
1967	\$1.400	\$13,120,000
1966	1.325	12,424,000
1965	1.225	10,653,000
1964	1.125	9,671,000
1963	1.025	8,419,000
1962	1.000	7,879,000

Long term debt

Long term debt increased during the year by \$13,280,000. Hooker took down \$10,000,000 under its revolving fund credit agreement, and N. V. Hooker Chemical S.A. in Belgium increased its borrowings in that country by \$3,280,000 to complete the financing of its new plant.

Effective November 15, 1967 the Company's borrowing capacity under its revolving fund was increased from \$25,000,000 to \$50,000,000. The revolving credit is available for two years from that date and can be converted during that time into five-year term loans. During the revolving period, interest rate will be at prime and during the term period $\frac{1}{4}$ of 1% over prime.



Consolidated statement of income (Note 1)

	Thirteen months ended Dec. 31, 1967	Twelve months ended Nov. 30, 1966
Net Sales	\$364,585,000	\$355,086,000
Royalties, license fees, interest and other income	<u>4,759,000</u>	<u>5,577,000</u>
	<u>369,344,000</u>	<u>360,663,000</u>
Costs and expenses:		
Cost of sales	252,512,000	244,151,000
Selling, general and administrative	50,458,000	45,957,000
Depreciation and amortization	20,320,000	17,293,000
Interest and debt expense	3,897,000	3,344,000
Provision for income taxes, less investment tax credits of \$1,966,000 and \$2,897,000	<u>15,982,000</u>	<u>20,673,000</u>
	<u>343,169,000</u>	<u>331,418,000</u>
Net income	<u>\$ 26,175,000</u>	<u>\$ 29,245,000</u>
Earnings per share of common stock	<u>\$2.53</u>	<u>\$2.84</u>

See accompanying notes.

Consolidated balance sheet (Note 1)

Assets

	Dec. 31, 1967	Nov. 30, 1966
Current assets:		
Cash	\$ 14,745,000	\$ 12,468,000
Marketable securities, at cost which approximates market	4,109,000	10,334,000
Accounts receivable	48,992,000	58,282,000
Inventories, at the lower of cost (average or first-in, first-out) or market:		
Finished products and materials in process	36,937,000	30,834,000
Raw materials and supplies	19,165,000	18,632,000
Prepaid expenses	1,705,000	2,517,000
Total current assets	125,653,000	133,067,000
Investments, at cost, principally in less than majority- owned foreign companies	5,331,000	5,857,000
Property, plant and equipment, at cost:		
Land	8,583,000	8,432,000
Buildings	81,676,000	77,561,000
Machinery and equipment	277,509,000	244,030,000
Construction in progress (estimated additional cost to complete major projects—\$17,000,000)	17,560,000	17,479,000
	385,328,000	347,502,000
Less accumulated depreciation and amortization	157,778,000	142,219,000
	227,550,000	205,283,000
Deferred charges	7,928,000	6,994,000
	<u>\$366,462,000</u>	<u>\$351,201,000</u>
See accompanying notes.		

Beacon: Illuminating the night sky at Niagara Falls, this multi-million dollar production unit for halogenated organic chemical intermediates was one of a number of new facilities built during the year.



Liabilities and shareholders' equity

	Dec. 31, 1967	Nov. 30, 1966
Current liabilities:		
Notes payable to banks	\$ —	\$ 1,000,000
Accounts payable and accrued liabilities	32,820,000	38,438,000
Federal, state and other taxes	8,261,000	9,692,000
Current maturities on long term debt	1,460,000	1,720,000
Total current liabilities	42,541,000	50,850,000
Long term debt (Note 2)	82,460,000	71,293,000
Deferred income taxes	21,553,000	19,253,000
Shareholders' equity (Notes 2, 3 and 4):		
\$4.25 cumulative preferred stock, without par value:		
Authorized and issued: 50,000 shares	5,000,000	5,000,000
Cumulative preferred stock, without par value:		
Authorized: 250,000 shares issuable in series		
Issued: \$5 second preferred, series C, 44,305 shares ..	4,431,000	4,431,000
Preference stock, \$1 par value:		
Authorized: 5,000,000 shares issuable in series		
Issued: \$2.16 convertible series, 570,276 shares		
(involuntary liquidation preference—\$27,088,000) ...	570,000	570,000
Common stock, \$5 par value:		
Authorized: 25,000,000 and 15,000,000 shares		
Issued: 9,709,667 shares	48,548,000	48,548,000
Capital surplus paid-in	35,184,000	34,966,000
Retained earnings	127,491,000	116,642,000
	221,224,000	210,157,000
Less cost of common stock in treasury, 31,373 and		
10,373 shares	1,316,000	352,000
Total shareholders' equity	219,908,000	209,805,000
Commitments and contingencies (Note 6)		
	<u>\$366,462,000</u>	<u>\$351,201,000</u>

See accompanying notes.

Consolidated statement of retained earnings

	Thirteen months ended Dec. 31, 1967	Twelve months ended Nov. 30, 1966
Balance at beginning of period (November 30, 1965 restated to reflect \$15,978,000 pooling of interests adjustments) (Note 1)	\$116,642,000	\$102,821,000
Net income	26,175,000	29,245,000
	<u>142,817,000</u>	<u>132,066,000</u>
Deduct:		
Excess of cost over par value of treasury shares exchanged for minority interest	—	838,000
Excess of cost over par value of cancelled treasury shares of pooled company	253,000	210,000
Cash dividends:		
Common stock: \$1.40 per share, 1967; \$1.325 per share, 1966	13,120,000	12,424,000
Preferred stock	434,000	434,000
Paid by pooled company	1,519,000	1,518,000
	<u>15,326,000</u>	<u>15,424,000</u>
Balance at end of period (Note 2)	<u>\$127,491,000</u>	<u>\$116,642,000</u>

Consolidated statement of source and application of working capital

Consolidated working capital— beginning of period	\$82,217,000	\$60,193,000
Source of working capital:		
Net income	26,175,000	29,245,000
Depreciation and amortization	20,320,000	17,293,000
Deferred income taxes, relating principally to accelerated depreciation	2,300,000	1,510,000
Total from operations	48,795,000	48,048,000
Proceeds from additional long term borrowings	13,280,000	25,720,000
Proceeds from exercise of stock options	290,000	3,419,000
	<u>62,365,000</u>	<u>77,187,000</u>
Application of working capital:		
Additions to property, plant and equipment, less disposals	42,587,000	34,872,000
Dividends paid	15,073,000	14,376,000
Reduction in long term debt	2,113,000	2,387,000
Purchase of treasury shares	1,288,000	869,000
Increase in deferred charges and investments (net)	409,000	2,659,000
	<u>61,470,000</u>	<u>55,163,000</u>
Increase in working capital	895,000	22,024,000
Consolidated working capital at end of period	<u>\$83,112,000</u>	<u>\$82,217,000</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

1. Principles of consolidation

The consolidated financial statements include the accounts of the Company and all domestic and wholly-owned foreign subsidiaries, which comprise all significant subsidiaries. The Company's investment in non-consolidated foreign subsidiaries and other less than majority-owned foreign companies approximates its equity in such companies.

As approved by shareholders on December 21, 1967, 316,821 shares of common stock and 570,276 shares of preference stock, \$2.16 convertible series, were issued in connection with the merger of The Udyllite Corporation into the Company. The merger was treated for accounting purposes as a pooling of interests; accordingly, the consolidated statements for the thirteen months ended December 31, 1967 include the accounts of Udyllite for its 1967 calendar year and, for comparative purposes, the statements for the twelve months ended November 30, 1966 have been restated to include the accounts of Udyllite for its 1966 calendar year.

In 1967, the Company changed its fiscal year end from November 30 to December 31. The consolidated statement of income for the thirteen months ended December 31, 1967 includes net sales of \$23,112,000 and net income of \$2,023,000 (\$0.21 per share) for the month of December 1966.

2. Long term debt

Long term debt and current maturities thereof at December 31, 1967 are:

	Current	Long term
Revolving credit notes	\$ —	\$10,000,000
4% sinking fund debentures, due 1991; annual installments of \$1,000,000 commence in 1971	—	25,000,000
4% unsecured notes, due 1989; annual installments of \$1,000,000 commence in 1969	—	25,000,000
3¾% unsecured notes, due 1977; annual installments—\$800,000	800,000	10,400,000
3% unsecured notes, due 1980; annual installments—\$400,000	400,000	6,400,000
3½% sinking fund debentures, due 1974; annual installments —\$260,000	260,000	1,660,000
6½% loan of Belgian subsidiary (guaranteed by the Company) due in annual installments of \$1,200,000—1970/71 and \$1,600,000—1973	—	4,000,000
	<u>\$1,460,000</u>	<u>\$82,460,000</u>

During 1967, the Company entered into a credit agreement with several banks under which it may borrow a maximum of \$50,000,000. Borrowings can be converted on or prior to November 15, 1969 into term notes repayable in twenty equal quarterly installments. Loans bear interest at the prime commercial bank rate (6% at December 31, 1967) until converted and thereafter at ¼% above such rate.

At December 31, 1967, retained earnings of approximately \$82,000,000 were not available for the payment of cash dividends on common stock under the most restrictive of the provisions relating to such payments in the Company's indentures, loan agreements and certificate of incorporation.

3. Common stock

At December 31, 1967, 398,700 shares of common stock were reserved under the Company's qualified stock option plan, against which options for 185,200 shares were outstanding at prices ranging from \$35.75 to \$46.50 per share. The plan provides that options granted must be at a price per share equal to fair market value on dates of grant, are generally exercisable in four equal annual installments, and expire five years from date of grant. At November 30, 1966 and December 31, 1967, 269,000 and 213,500 shares were available for future grants. Option transactions during the period were as follows:

	Shares
Outstanding, November 30, 1966	129,700
Granted (net of 5,250 cancelled)	<u>55,500</u>
Outstanding, December 31, 1967, of which options for 108,575 shares were exercisable	<u>185,200</u>

Approximately 14,875 shares of common stock and 26,775 shares of preference stock, \$2.16 convertible series, were also reserved for Udyllite stock options (44,625 exercisable at \$22.25 a share) assumed by the Company.

In addition, 597,051 shares of common stock were reserved for conversion, on a share for share basis, of the issued and issuable preference stock, \$2.16 convertible series.

4. Capital surplus paid-in

Capital surplus paid-in at November 30, 1966, as previously reported, has been restated to reflect a pooling of interests adjustment of \$2,140,000. The only change during the thirteen months ended December 31, 1967 was an increase of \$218,000 resulting from capital transactions of the pooled company during the period.

5. Retirement program

The Company has a retirement program covering substantially all of its employees under which costs of benefits are currently funded. The annual cost of the program, including amortization of prior service costs over the estimated service lives of participants, is approximately \$2,200,000. At December 31, 1967 the actuarially computed value of all vested benefits was substantially fully funded.

6. Commitments and contingencies

A lease agreement covering phosphate and other mineral properties, which expires in 1981, provides for an annual minimum royalty of \$635,000 or a royalty based on tonnage mined, whichever is greater. Royalty payments made are deferred and amortized on a unit-of-production basis. At December 31, 1967 unamortized deferred payments amounted to \$3,286,000.

The Company and certain other major chlor-alkali producers are defendants in civil treble damage actions brought by various governmental bodies seeking damages claimed to have arisen from alleged industry practices in connection with the sale of chlor-alkali products for use in public water and sewage treatment. The actions are being vigorously defended and, in the Company's opinion, the results thereof, regardless of outcome, should have no material adverse effect on its financial position or operating results.

Report of Certified Public Accountants

The Board of Directors and Shareholders
Hooker Chemical Corporation

We have examined the accompanying consolidated balance sheet of Hooker Chemical Corporation at December 31, 1967 and the related consolidated statements of income, retained earnings, and source and application of working capital for the thirteen months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Hooker Chemical Corporation at December 31, 1967 and the consolidated results of operations and the source and application of working capital for the thirteen months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 31, 1968
277 Park Avenue
New York, N.Y. 10017

Arthur Young & Company



Ten-year comparative financial summary

(Dollars in thousands except per share figures)

	1967*	1966	1965
Net sales	\$364,585	\$284,095	\$244,826
Royalties, license fees, interest and other income	4,759	3,910	2,476
	<u>369,344</u>	<u>288,005</u>	<u>247,302</u>
Cost of sales	252,512	189,760	158,025
Selling, general and administrative expenses	50,458	34,948	31,248
Depreciation and amortization	20,320	16,503	14,779
Interest and debt expense	3,897	3,344	3,389
Provision for income taxes	15,982	17,673	16,899
	<u>343,169</u>	<u>262,228</u>	<u>224,340</u>
Net income	26,175	25,777	22,962
Net income per share of common stock	2.53	2.70	2.58
Dividends per share of common stock:			
Cash	1.40	1.325	1.225
Stock	—	—	—
Income retained for growth	11,102	12,919	11,876
Working capital	83,112	72,395	51,007
Gross plant and equipment	385,328	333,977	304,349
Accumulated depreciation and amortization	157,778	138,360	124,918
Net plant	227,550	195,617	179,431
Other assets	13,259	10,053	7,596
Long term debt	82,460	71,293	71,763
Deferred income taxes	21,553	18,893	17,563
Shareholders' equity	219,908	187,880	148,433
Number of common shares outstanding	9,678,294	9,382,473	8,723,240
Shareholders' equity per share of common stock	21.69	19.02	15.93
Capital expenditures	44,409	36,077	45,593
Number of shareholders (common)	19,973	15,273	14,811
Number of employees	8,370	6,800	6,550

Note: Above Financial Summary reflects past years as reported in respective Annual Reports, without retrospective revisions for poolings of interest.



HOOKER CHEMICAL CORPORATION

1964	1963	1962	1961	1960	1959	1958
\$211,047	\$182,741	\$177,381	\$150,102	\$149,821	\$149,817	\$125,546
2,092	1,820	1,491	1,819	2,261	926	779
<u>213,139</u>	<u>184,561</u>	<u>178,872</u>	<u>151,921</u>	<u>152,082</u>	<u>150,743</u>	<u>126,325</u>
135,851	115,132	114,216	101,159	99,416	99,397	83,915
24,907	23,396	21,023	15,806	15,895	13,858	12,300
13,849	12,151	11,086	8,988	8,835	8,855	8,112
3,386	2,413	2,539	2,757	2,803	1,773	1,863
15,896	15,604	14,955	11,224	12,444	13,458	9,496
<u>193,889</u>	<u>168,696</u>	<u>163,819</u>	<u>139,934</u>	<u>139,393</u>	<u>137,341</u>	<u>115,686</u>
19,250	15,865	15,053	11,987	12,689	13,402	10,639
2.17	1.88	1.82	1.60	1.70	1.80	1.43
1.125	1.025	1.00	1.00	1.00	1.00	1.00
—	2%	2%	—	—	—	—
9,117	7,012	5,537	4,412	5,135	5,865	3,545
70,005	58,719	54,018	45,064	59,521	62,053	34,149
266,358	233,463	219,103	200,809	175,594	163,221	157,081
117,490	105,155	93,982	83,002	74,990	68,449	60,318
148,868	128,308	125,121	117,807	100,604	94,772	96,763
6,415	5,858	6,300	6,167	5,590	5,188	2,090
74,128	52,108	55,067	57,005	59,685	62,165	40,500
16,318	13,893	9,853	6,634	5,763	4,894	4,274
134,637	126,883	120,519	105,399	100,267	94,954	88,228
8,663,899	8,206,353	8,047,672	7,370,711	7,343,258	7,336,190	7,304,576
14.45	14.31	13.80	13.62	12.97	12.26	11.39
26,866	15,145	15,812	26,480	15,316	7,148	8,117
14,681	14,550	15,434	11,743	12,448	12,382	—
5,941	5,517	5,437	4,930	5,021	4,894	4,642

*Covers the thirteen months ended December 31, 1967, the Company's new fiscal year end.

Sales by Market Areas

Following is a broad, overall view of Hooker's principal market areas and the contribution each made to the company's total sales of \$364,585,000 during 1967. All percentages reflect the consolidated Hooker-Udylite sales figures.

METAL TREATING CHEMICALS	21%
PLASTICS	20%
FARM CHEMICALS	19%
CHEMICAL INTERMEDIATES & SPECIALTIES	15%
PULP & PAPER CHEMICALS	10%
INTERNATIONAL (Excluding Canada)	8%
DETERGENT & DRY CLEANING CHEMICALS	7%

Sales by Industries

The broad market areas shown above may be broken down further into many separate industries served by Hooker products. The list below provides a review of the approximate percentage of sales to each industry.

Pulp and Paper	10%
Fertilizers	10%
Metal Finishing	9%
International & Export (Excluding Canada)	8%
Soap & Detergents	7%
Electrical Equipment	7%
Pesticides	7%
Automotive	6%
Fabricated Metal Products	4%
Plastic Materials	4%
Animal Feed Additives	3%
Primary Metals and Foundries	3%
Fabricated Plastics Products	2%
Building	2%
Petroleum Products & Additives	2%
Pharmaceutical	2%
Dyes & Colors	1%
Textiles & Synthetic Fibers	1%
Machinery	1%
Food	1%
Rubber	1%
Water Treatment	1%
All Other	8%

DIVISIONS AND SUBSIDIARIES

INDUSTRIAL CHEMICALS DIVISION

Product Areas—Organic and Inorganic Chemicals for:

Pulp and Paper—Agriculture—Fire Retardance—Dry Cleaning—Soaps and Detergents—Leather—Textile Dyes and Colors—Basic Metal Industries—Pharmaceuticals—Petroleum—Plastics—Glass—Metal Cleaning—Water Treatment

Plants: Niagara Falls, New York (Division Headquarters)—Columbia, Tennessee—Dallas, Texas—Columbus, Mississippi—Jeffersonville, Indiana—Montague, Michigan—Taft, Louisiana—Tacoma, Washington
Hooker Chemicals Limited, North Vancouver, British Columbia
Hooker Chemicals (Nanaimo) Limited, Vancouver Island, British Columbia

DUREZ DIVISION

Product Areas: Thermosetting Molding Compounds—Phenolic, Diallylphthalate and Alkyd Molding Compounds—Phenolic Bonding and Coating Resins—High Temperature Aerospace Resins—Hetron Fire Retardant Polyester Resins for Reinforced Plastics—Hetrofoam Polyurethane Foam Systems

Plants: North Tonawanda, New York (Division Headquarters)—Kenton, Ohio—South Shore, Kentucky

FARM CHEMICALS DIVISION

Product Areas: Phosphoric Acid—Diammonium Phosphate—Ammonia—Mixed Fertilizers—Animal Feed Supplements, Liquid Fertilizers
Division Headquarters—New York City, New York

Plants: Davenport, Iowa—Houston, Texas—Marseilles, Illinois—Taft, Louisiana

PARKER DIVISION

Product Areas: Paint Base Coatings—Corrosion Resistant Coatings—Specialized Lubricants and Rinses—Industrial Cleaners

Plants: Detroit, Michigan (Division Headquarters)
Maywood, California—Morenci, Michigan—Mountain View, New Jersey—St. Louis, Missouri—Hooker Parker (Canada) Limited, Toronto, Ontario.

COATINGS DIVISION

Product Areas: Heavy Duty Exterior and Interior Paints—Corrosion Resistant Coatings—Roofing Compositions

Plants: Cleveland, Ohio (Division Headquarters)
Baton Rouge, Louisiana

RUCO DIVISION

Product Areas: Polyvinyl Chloride Resins & Compounds—Calendered Film & Sheet—Synthetic Fabrics—Specialty Plasticizers—Polyesters—Rubber Latexes—Elastomeric Polyurethanes—Raw Materials for the Plastics Industry

Plants: Hicksville, New York (Division Headquarters)
Burlington, New Jersey

UDYLITE (SUBSIDIARY)

Product Areas: Metal Finishing Chemicals and Supplies
—Rectifiers—Automatic Plating
Equipment—Accessory Equipment—
Foundry Facings and Equipment

U. S. Plants: Warren, Michigan (Subsidiary
Headquarters)
Buffalo, New York—Detroit, Michigan—Ferndale,
Michigan—Los Angeles, California—Roseville, Michigan
—Springfield, Ohio—Wallingford, Connecticut

International Facilities: Buenos Aires, Argentina—
Sao Paulo, Brazil—Toronto, Canada—Woking, Surrey,
England—Mexico City, Mexico—Hato Rey, Puerto Rico
—Las Piedras, Puerto Rico

PUERTO RICO

Puerto Rico Chemical Co., Inc. (Subsidiary) Arecibo, P.R.

Product Area: Phthalic Anhydride

Plant: Arecibo, Puerto Rico

INTERNATIONAL DIVISION

Product Areas: The division offers for export sale the
products made by Hooker's domestic
divisions. In addition, plants are operated in the
following countries:

BELGIUM

N. V. Hooker Chemical S.A. (Subsidiary)
Brussels

Product Areas: Industrial Phenolic Resins—Specialty
Chemical Intermediates—HET Acid

Plant: Genk, Belgium

MEXICO

Hooker Mexicana, S.A. de C. V.
(Subsidiary) Mexico City, D.F.

Product Areas: Phosphoric Acid—Industrial Phosphates
Activated Carbon—
Parker Conversion Coatings

Plant: Lecheria, State of Mexico

ARGENTINA

Duranor S.A.I.C. (50% Owned) Buenos
Aires

Product Areas: Phenol—Monochlorobenzene—Phenolic
Resins and Molding Compounds—Urea Resins—
PVA Emulsions

Plants: Munro, Buenos Aires—Rio Tercero,
Cordoba

AUSTRALIA

Parker Bonderite (Pty.) Limited (55%
Owned) Melbourne

Product Areas: Parker Conversion Coatings

Plant: Bayswater, Victoria

JAPAN

Sumitomo Durez Co., Ltd. (25% Owned)
Tokyo

Product Areas: Industrial Phenolic Resins

Plants: Shizuoka, Japan



